

Statement of the Chief Financial Officer

1. Role of the Chief Financial Officer

- 1.1. Under Section 151 of the Local Government Act 1972 and Section 114 of the Local Government Finance Act 1988, the Chief Finance Officer (CFO) is responsible for the proper administration of the Council's financial affairs.
- 1.2. The statutory duties of the CFO are set out in the Constitution of the County Council. This includes the requirement to report to the County Council, Cabinet, and external auditor if the Council's expenditure is likely to significantly exceed the available resources.
- 1.3. The Chartered Institute of Public Finance and Accountancy (CIPFA) has published a statement on the Role of the CFO in Local Government. The Statement requires that, to ensure that they can operate effectively and perform their core duties, the CFO:
 - is a key member of the leadership team, helping it to develop and implement strategy and to resource and deliver the authority's strategic objectives sustainably and in the public interest.
 - must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer-term implications, opportunities and risks are fully considered, and alignment with the authority's financial strategy; and
 - must lead the promotion and delivery by the whole authority of good financial management so that public money is always safeguarded and used appropriately, economically, efficiently, and effectively.

To deliver these responsibilities the CFO must

- lead and direct a finance function that is resourced to be fit for purpose; and
- be professionally qualified and suitably experienced.

2. Statutory Duty of the Chief Financial Officer

- 2.1. Section 25 of the Local Government Act 2003 places a statutory duty on the Chief Financial Officer to review the Medium-Term Financial Strategy (MTFS) and comment upon the robustness of the budget and the adequacy of the reserves to be held by the authority when determining its Council Tax.
- 2.2. Section 26 of the Local Government Act 2003 places an onus on the Chief Financial Officer to ensure the authority has established a minimum level of reserves to be retained to cover any unforeseen demands that could not be reasonably defined within finalising the proposed budget.

- 2.3. This information enables a longer-term view of the overall financial resilience of the Council to be taken.
- 2.4. Throughout the report, the CFO may be referenced as either the Head of Finance or Section 151 Officer.

3. Robustness of the Budget

- 3.1. The preparation of the budgets started back in August. As the Head of Finance, and being a qualified and experienced accountant, I have held full oversight on the process. The budgets have used the current year as their base, with the budget review process informing where these do not provide a reasonable basis for the following year. There has been a high level of scrutiny to the budget this year, along with budget monitoring throughout the year, from: -
 - Budget Managers and the Senior Leadership Team (SLT)
 - Portfolio Holders
 - The Cabinet through the various preceding reports set out in the background papers.
 - Scrutiny Committees
- 3.2. Consequently, I am satisfied that the budgets are prepared on a robust basis.
- 3.3. Whilst the budget has been prepared on a robust financial basis and will support delivery of the Corporate Strategy, a balanced budget has only been achieved using reserves totalling £4.5m to address a significant underlying deficit position.
- 3.4. In preparing the Budget, regard has been given several factors including funding availability; risks and uncertainties; inflation; priorities; demography and service pressures. As capital investment decisions have a direct impact on the council's revenue budget, particularly relating to borrowing costs, the Capital Programme has been reviewed to ensure that its delivery remains viable and affordable.
- 3.5. In view of the current economic climate facing the Council along with the whole of the public sector, many budgets have again not been increased at levels to match the current rate of inflation. This has also come on the back of years where the budget has been prepared and impacted by the Global Pandemic and the impact of the UK leaving the EU. Government support relating to the pandemic has now ceased, and while the Autumn Statement and Local Finance Settlement provided some short-term stability, the 4% increase provided in core spending power is well below the levels of increases seen across service areas in net expenditure costs.

- 3.6. Therefore the management of these net expenditure costs will be essential to ensure best value can be achieved. This will be supported through the change programme, and service areas working with support services such as IT, HR, Finance and Procurement to ensure best value is achieved.
- 3.7. In addition, consideration has been given to how the budget aligns with the Corporate Strategy, recently updated as of November 2023. Due consideration has been given to reconciling the over-arching financial strategy with corporate priorities and hence all the proposals have been developed as an integral part of service planning.
- 3.8. Regard has been given several factors including funding availability; risks and uncertainties; inflation; priorities; demography and service pressures. As capital investment decisions have a direct impact on the council's revenue budget, particularly relating to borrowing costs, the Capital Programme has been reviewed to ensure that it remains deliverable and financially viable within the MTFS.
- 3.9. Contingencies have been included within the budgets, to mitigate against the impact of unexpected changes in-year (see section 4.8).

4. Adequacy of Reserves

- 4.1. The Adequacy of Earmarked Reserves has been reviewed as part of the budget process. While the balances presented in the report and supporting appendices are considered adequate to enable the council to set a balanced position for 2024/25, strategic reserves are projected to reduce to £17.5m by 2028 after considering for planned commitments, and before balancing future budgets using the General Fund Volatility Reserve. This further underlines the need for actions to be taken if government funding is not forthcoming, and supports the assumptions made within the MTFS to ensure that the Council moves away from a reliance on reserves to balance the budget in future years.
- 4.2. The Code of practice on local authority accounting requires the purpose, usage, and basis of transactions of earmarked reserves to be identified clearly. This is set out in Appendix 5 of this report.
- 4.3. The reporting of reserve balances has been improved during 2023/24 based upon member feedback from Overview and Scrutiny committee to ensure improved transparency (section 1.8 of the covering report). In accordance with best practice on reserves and balances these have therefore been reviewed as part of the annual budget preparation. In addition, there are forecasts for future years which are reflected in the MTFS. In considering the level of reserves in addition to the cash flow requirements CIPFA recommends that the following factors are considered: -

Budget assumptions	Financial standing and management
The treatment of inflation and interest rates	The overall financial standing of the authority (level of borrowing, debt outstanding, council tax collection rates).
Estimates of the level and timing of capital receipts	The authority's track record in budget and financial management.
The treatment of demand led pressures	The authority's capacity to manage in-year budget pressures.
The treatment of efficiency savings/productivity gains	The strength of financial information and reporting arrangements.
The financial risks inherent in any significant new funding partnerships, major outsourcing deals or major capital developments	The authority's virement and end of year procedures in relation to budget under/overspends at authority and departmental level.
The availability of other funds to deal with major contingencies	The adequacy of the authority's insurance arrangements to cover major unforeseen risks.

- 4.4. The CIPFA Resilience Index was launched in December 2019 compares the Council to other comparator authorities. This does not suggest any areas where the authority is notably at risk, with levels of ear-marked reserves providing much security in the short/medium term.
- 4.5. I have considered these matters and can advise members that they currently have a satisfactory level of reserves and balances to deliver a sustainable financial position over the medium term. However, this will only be achieved if delivery of the key assumptions underpinning the improved recurrent position are delivered.
- 4.6. As part of this, we have established the following new reserves:
- General Fund Volatility Reserve – to ensure the Business Rate Retention Reserve remains available for its primary purpose of smoothing business rate receipts, any overperformance above a £2m balance will be reallocated to this reserve.
 - Change Programme Delivery Reserve - This will be used on an 'invest to save' basis to enable delivery of schemes within the change programme that may require an initial investment to deliver recurrent savings.

- 4.7. Risks which may impact upon the Council's finances and the Budget, together with controls and mitigations, are set out in Section 5, and a risk assessment against the general fund reserve is set out in Appendix 4. The Council has self-insurance for small items but generally relies on external insurance for claims above £25,000, so there is no major risk in this area.
- 4.8. In making this assessment I have considered that a core contingency budget of £200,000 for 2024/25 should be sufficient to support the delivery of any unplanned unavoidable expenditure. In addition there is a further £1.8m Budget allocation to mitigate against any inflationary increases, including changes to major contracts or commitments.

5. Risks

- 5.1. The Council continues to face in-year budget risks. Primarily these relate to:
- the current economic conditions (high inflation and interest rates).
 - the macroeconomic effects of world events, including war.
 - political uncertainty, noting this will be a General Election year.
 - the continued impact on the Council of the UK leaving the EU.
 - the legacy impact of the global pandemic.
- 5.2. The medium-term financial strategy has been prepared on a prudent basis given the uncertainties that face local government finance into the future. Whilst the 2024/25 budget has been prepared prudently, there are undoubtedly risks associated with it, linked to the current high levels of inflation, and increasing interest rates. However, with the level of reserves currently held, the Council should be able to manage any material changes from assumptions made throughout the year.
- 5.3. In considering future years, from 2025/26 there are significant uncertainties relating to any changes following a General Election. The 2022 Autumn Statement (reaffirmed by the 2023 Autumn Statement) indicated that key, difficult decisions will need to be made by the next administration, which are likely to have an impact on the Council and some of its main funding sources. In particular, the Council has been operating for the last couple of years on single year settlements from Central Governments. Local Authorities, including ourselves, will continue to engage with Central Government on this issue with our partners to lobby for multi-year settlements. These will enable us to more effectively plan over the Medium-Term, offering greater certainty on income levels which in turn will support the delivery of the Change Programme
- 5.4. One such funding source where there is still longer-term uncertainty relates to the Council's share of Business Rates linked to the Fair Funding Review and the long-expected reset of the Business Rate Retention Scheme. Prudent estimates for business rates retention have been included from 2025/26, assuming a baseline reset will remove any previous benefit the

Council has received from overperformance from its core funding. The Council has made necessary provision for this change within the reserves it holds, in particular the Business Rate Retention Volatility Reserve

- 5.5. The immediate in-year budget risks to which the Council is exposed are moderate. There are currently additional risks in relation to the uncertain state of the economy, the impact this may have on the Council's income sources, and the risks associated with capital schemes. Contingency budgets and reserve balances are available to mitigate such risk (as previously outlined in sections 3 and 4).

6. Change Programme

- 6.1. The budget and Medium-Term Financial Strategy take into consideration Budget proposals originally agreed in December 2020, including the project support costs, and forecast recurrent savings associated with the relocation of offices from Riverside House.
- 6.2. In addition, as part of addressing the budget deficit position of the MTFS, assumptions have been included for delivery against the Change Programme from 2024/25, totalling £2.5m. The Change Programme will be set out as part of its own report to Cabinet in March, outlining its aims, objectives and how it will be delivered.
- 6.3. Members need to be mindful of the underlying budget situation throughout their decision-making and ensure that the need to deliver a sustainable baseline financial position without the need to use reserves through organisational change is given due priority. This aligns with the Corporate Strategy as agreed in November 2023 through priority one.

Andrew Rollins

CFO / Head of Finance (Section 151 Officer)

February 2024